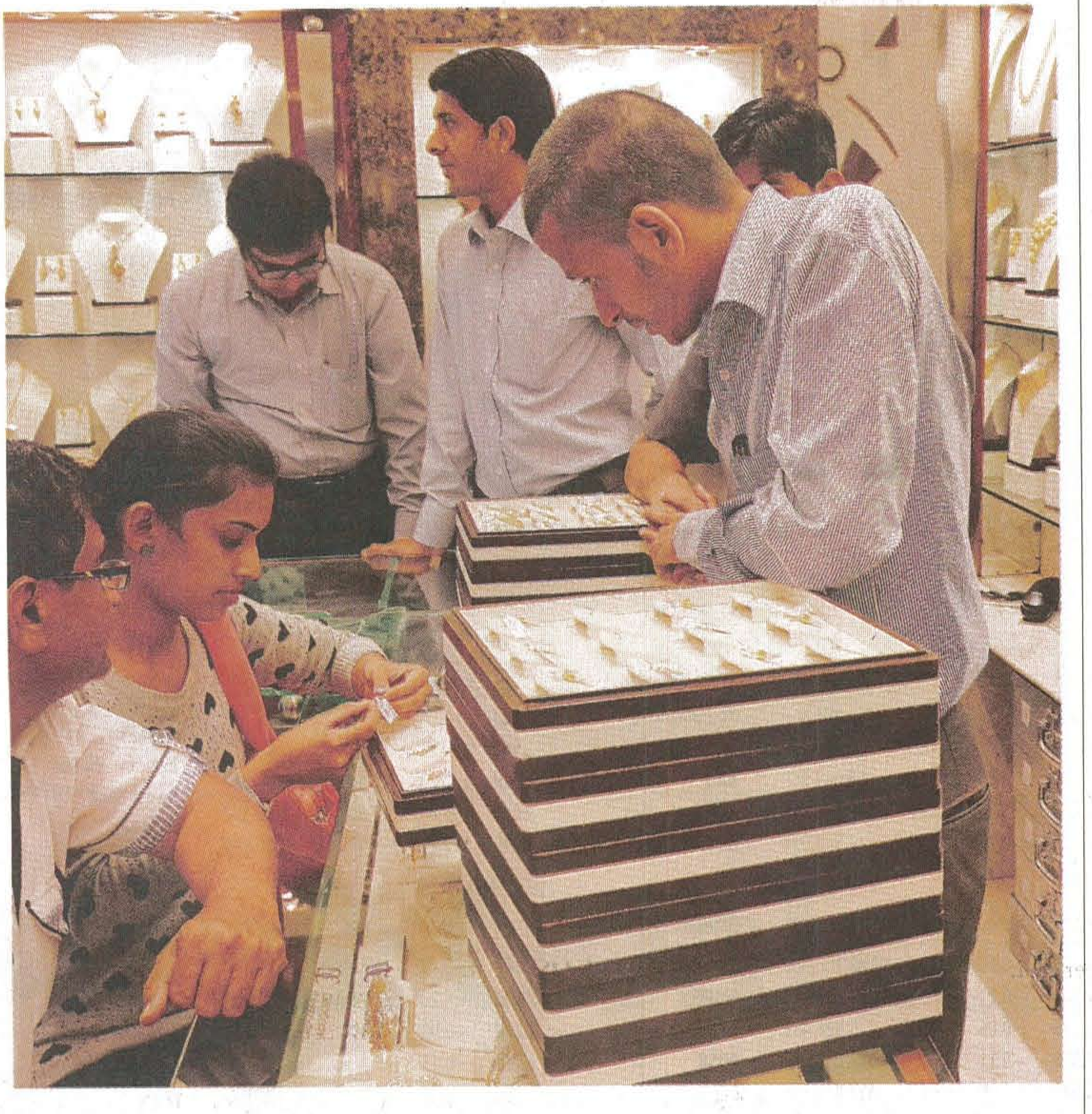
36 YEARS

DOHA DATELINE
Dr R. Seetharaman

# It's time to boost GCC-India trade, investment relations

## UAE-India trade drops from $75 billion to $60 billion in 2013-14



**Customers look at gold jewelry at a shop in Mumbai. India's gold and silver imports declined 40 per cent to $33.5 billion in 2013-14, compared to close to $56 billion. — AP**

BILATERAL TRADE BETWEEN Gulf Cooperation Council (GCC) and India exceeded $159 billion in 2012-13, however, it fell by close to six per cent in 2013-14 to $150 billion. The imports from India to the GCC fell by close to six per cent in 2013-14 to $48 billion, exports dropped by more than 5.5 per cent to $102 billion when compared to previous year. Saudi Arabia-India bilateral trade surged 11 per cent to $49 billion in 2013-14 from previous year mainly due to export of oil. Saudi Arabia is offering investment opportunities worth $625 billion to India in vital sectors. The bilateral trade between Bahrain and India during 2013-14 was above $1.2 billion and was marginally down when compared to previous year. Trade between Kuwait and India during 2013-14 was above $18 billion and was marginally up mainly on account of surge in exports of crude oil. Kuwaiti investments in India are in excess of $2.5 billion. Oman and India trade during 2013-14 surged 26% to reach $5.8 billion due to exports of oil and fertilisers. The Sohar free trade zone is expected to attract investments from India to the tune of $125 million. The bilateral trade between Qatar and India during 2013-14 exceeded $16 billion rising marginally on account of surge in imports from India.

The UAE equity investment during 2013-14 amounts to $223 million and between April 2000-December 2013 amounts to $2.64 billion. The UAE investments in India are concentrated mainly sectors such as power, metallurgical industries construction development, services sector, computer software and hardware. The bilateral trade between the GCC and India witnessed a significant drop mainly from the UAE in 2013-14. The UAE trade with India was more than $75 billion in 2012-13, however, it was close to $60 billion in 2013-14. The UAE imports from India dropped from $36.3 billion in 2012-13 to $30.5 billion in 2013-14 and the exports dropped from $39.1 billion in 2012-13 to $29.1 billion in 2013-14. The drop in both imports and exports was mainly on pearls, precious metals and jewellery on account of measures brought by India to curtail gold and silver imports to reduce its current account deficit, thereby impacted the trade flows between India and the UAE in the jewellery and related segments. India had a record high current account deficit (CAD) of $87.8 billion, or 4.7 per cent of GDP in FY-13, which was largely fuelled by gold imports worth $3-5 billion per month. However, the finance ministry and the Reserve Bank of India (RBI) had clamped down on gold. Last year, the government raised import duty on the precious metal to 10 per cent from the earlier rate of two per cent and also made it mandatory to export 20 per cent of the total imported gold.

> Transparency can attract global investors who can also bring their representatives in board along with funds

On account of these measures India's gold and silver imports declined 40 per cent to $33.5 billion in 2013-14, compared to close to $56 billion in the previous year and India's current account deficit narrowed to 1.7 per cent of GDP in FY-14, from 4.7 per cent in FY-13 on account of such measures. In March 2014 the RBI allowed five private sector banks to import gold, in a move that marked a major step towards easing India's tough bullion import restrictions, imposed in 2013 in order to cut the nation's trade deficit. In May 2014 the RBI allowed "star trading houses", private jewellery exporters, which had been barred from importing gold since July 2013, to resume imports, with immediate effect under its existing 20:80 scheme. It also allowed banks to make gold loans to domestic jewellery makers, a practice that was stopped last year. In the forthcoming budget there are expectations of government easing some of the gold import curbs. To attract investments in India there should be reforms to assure stability of policy framework and create investor confidence. There should be efficient and clear regulations, which provide clear and simple guidelines and speedy dispute resolution mechanism. Improve governance framework and transparency can attract global investors who can also bring their representatives in board along with funds. There are more opportunities, which both the GCC and India can leverage on trade and investment and they should enhance their scope in this direction.

*The writer is the group chief executive officer at Doha Bank. Views expressed by him are his own and do not reflect the newspaper's policy.*